

GLENN PUBLIC SCHOOL
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Glenn Public School
Glenn, Michigan

August 25, 2006

We have audited the accompanying financial statements of the governmental activities and the major funds of Glenn Public School, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Glenn Public School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Glenn Public School as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Glenn Public School
Glenn, Michigan

August 25, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006, on our consideration of Glenn Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages v through xi and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mamer, Costeniser & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Glenn Public Schools annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$145,009 (*net assets*). Of this amount, \$108,479 (*unrestricted net assets*) may be used to meet the District's ongoing obligations for general District programs.

The District's total net assets increased by \$25,464.

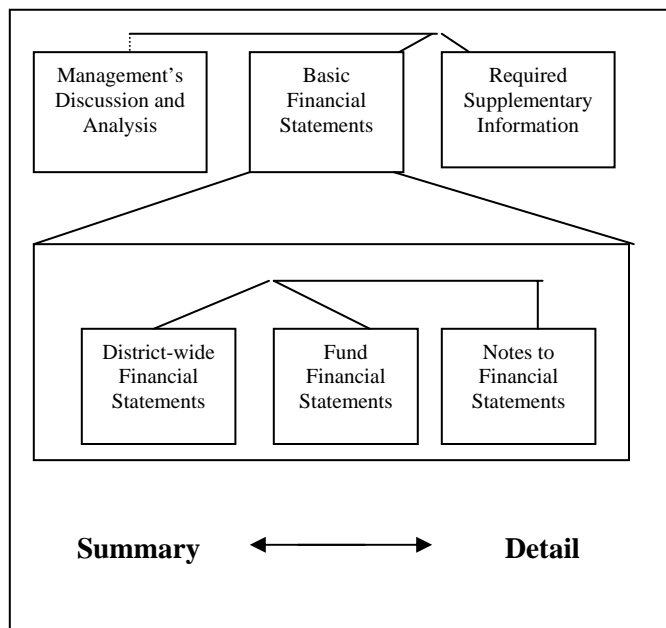
At the close of the current fiscal year, the District's general fund reported an ending fund balance of \$111,319, an increase of 17% or \$16,280 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of Glenn's Annual Financial Report



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements		
	District-wide Statements	Governmental Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	<ul style="list-style-type: none"> * Statement of net assets * Statement of activities 	<ul style="list-style-type: none"> * Balance sheet * Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, enrollment, and the condition of school building.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, and administration. State foundation aid finances most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- The District's major funds are the general fund and the capital project fund.

All of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net assets increased from the prior year by \$25,464, increasing total net assets to \$145,009.

The total revenue increased by 12.2% to \$319,881.

The total cost of instruction increased 3.4% and the total cost of support services decreased .38%. Overall, total expenses increased 7.7%.

Table A-3
Glenn Public School
Net Assets

	2006	2005
Current assets	\$ 438,333	\$ 478,674
Noncurrent assets	167,886	58,484
Total assets	606,219	537,158
Current liabilities:		
Accounts payable	39,060	721
Due to other governmental unit	3,557	357
Accrued salaries and related items	20,753	13,183
Accrued interest	2,840	3,352
Current portion of long-term debt	10,000	5,000
Total current liabilities	76,210	22,613
Long-term liabilities	385,000	395,000
Total liabilities	461,210	417,613
Net assets:		
Invested in capital assets, net of related debt	36,530	27,858
Unrestricted	108,479	91,687
Total net assets	\$ 145,009	\$ 119,545

Table A-4		
Changes in Glenn Public School's Net Assets		
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Federal and state categorical grants	\$ 15,257	\$ 35,716
General revenues:		
Property taxes, levied for general purposes	278,221	236,761
Investment earnings	9,067	737
State sources	9,000	
Other	8,336	11,926
Total revenues	<u>319,881</u>	<u>285,140</u>
Expenses:		
Instruction	189,453	181,326
Support services	83,353	85,236
Interest on long-term debt	18,165	3,352
Unallocated depreciation	3,446	3,445
Total expenses	<u>294,417</u>	<u>273,359</u>
Change in net assets	<u>\$ 25,464</u>	<u>\$ 11,781</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$111,319, an increase of \$16,280 over last year's total of \$95,039. This represents approximately four and one half months of the 2005-06 total general fund expenditures.

General Fund and Budget Highlights

Over the course of the year, the District amended the annual operating budget two times, most recently in June of 2006. Total general fund revenues increased 10.7% from the original to the final budget. Total expenditures increased 9.9%. The primary cause for the large increase in revenue was a higher than anticipated pupil count which resulted in receiving state foundation allowance and additional federal grant sources. The increase in expenditures was the addition of a special education position.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Glenn Public School's Capital Assets				
	2006			2005
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 8,247	\$	\$ 8,247	\$ 8,247
Construction in progress	114,416		114,416	
Land improvements	46,126	40,361	5,765	8,072
Buildings and improvements	28,846	17,615	11,231	12,370
Equipment and furniture	72,434	72,434		
Library books	2,500	2,500		
Total	\$ 272,569	\$ 132,910	\$ 139,659	\$ 28,689

Additions to capital assets consists of \$114,416 of construction in progress for the addition of a room and mechanical upgrades to the Glenn School building. More detailed information regarding the District's capital asset activity can be found in Note 4 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the District had a total bonded debt outstanding of \$395,000. This balance represents unlimited tax bonds to provide funds for the acquisition and construction of major capital facilities. Current requirements for principal and interest expenditures are payable solely from future revenues of the Debt Service Fund, which consists principally of property taxes collected by the District and interest earnings.

Additional information on the District's long-term debt can be found in Note 5 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future.

The continual sluggish economy in the State of Michigan has placed the 2006-2007 foundation allowance in jeopardy of being prorated. The foundation allowance represents 92% of the total District revenue.

Student enrollment continues to be an important issue for the District. There are eleven 4th grade students enrolled in Glenn Schools for the 2006/07 school year. It is not known how many of these students will remain enrolled through the 6th grade. With the foundation allowance representing such a large portion of the revenue, the blended count will need to continue to rise to help off-set annual increases in expenditures, including the cost the increasing cost of retirement benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mike Hagerty, Director of Finance and Operations, Allegan County ISD, 310 Thomas St., Allegan, MI 49010.

**GLENN PUBLIC SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2006**

ASSETS	Governmental activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 135,370
Due from other governmental units	1,847
Restricted cash	<u>301,116</u>
TOTAL CURRENT ASSETS	<u>438,333</u>
NONCURRENT ASSETS:	
Depreciable capital assets	149,906
Less accumulated depreciation	(132,910)
Land and construction in process	122,663
Deferred charges, net of amortization	<u>28,227</u>
TOTAL NONCURRENT ASSETS	<u>167,886</u>
TOTAL ASSETS	<u><u>\$ 606,219</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 39,060
Due to other governmental unit	3,557
Accrued salaries and related items	20,753
Accrued interest	2,840
Current portion of long-term obligations	<u>10,000</u>
TOTAL CURRENT LIABILITIES	76,210
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	<u>385,000</u>
TOTAL LIABILITIES	<u>461,210</u>
NET ASSETS:	
Invested in capital assets, net of related debt	36,530
Unrestricted	<u>108,479</u>
TOTAL NET ASSETS	<u>145,009</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 606,219</u></u>

See notes to financial statements.

**GLENN PUBLIC SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 189,453	\$	\$ 15,257	\$ (174,196)
Support services	83,353			(83,353)
Interest on long-term debt	18,165			(18,165)
Unallocated depreciation	3,446			(3,446)
Total governmental activities	<u>\$ 294,417</u>	<u>\$</u>	<u>\$ 15,257</u>	<u>(279,160)</u>
General revenues:				
Property taxes, levied for general purposes				278,221
Investment earnings				9,067
State sources				9,000
Other				<u>8,336</u>
Total general revenues				<u>304,624</u>
CHANGE IN NET ASSETS				25,464
NET ASSETS, beginning of year				<u>119,545</u>
NET ASSETS, end of year				<u>\$ 145,009</u>

GLENN PUBLIC SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General fund	Capital projects	Total governmental funds
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 135,370	\$	\$ 135,370
Due from other governmental units	1,847		1,847
Restricted cash		301,116	301,116
TOTAL CURRENT ASSETS	\$ 137,217	\$ 301,116	\$ 438,333

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:			
Accounts payable	\$ 1,588	\$ 37,472	\$ 39,060
Due to other governmental unit	3,557		3,557
Accrued salaries and related items	20,753		20,753
TOTAL CURRENT LIABILITIES	25,898	37,472	63,370

	General fund	Capital projects	Total Governmental funds
FUND BALANCES:			
Designated - historical marker	\$ 2,000	\$	\$ 2,000
Unreserved - undesignated	109,319	263,644	372,963
TOTAL FUND BALANCES	111,319	263,644	374,963
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,217	\$ 301,116	\$ 438,333

Total Governmental Fund Balances			\$ 374,963
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds:			
The cost of the capital assets is		\$ 272,569	
Accumulated depreciation is		(132,910)	139,659
The value of amortized bond issuance costs		31,113	
Accumulated amortization		(2,886)	28,227
Long-term liabilities are not due and payable in the current period and are not reported in the funds			
Bond payable and unamortized discount			(395,000)
Accrued interest is not included as a liability in government funds, it is recorded when paid			(2,840)
Net assets of governmental activities			\$ 145,009

**GLENN PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	General fund	Capital projects	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 278,221	\$	\$ 278,221
Interest		9,067	9,067
Total local sources	278,221	9,067	287,288
State sources	9,000		9,000
Federal sources	15,257		15,257
Other	8,336		8,336
Total revenues	310,814	9,067	319,881
EXPENDITURES:			
Current:			
Instruction:			
Basic programs	107,149		107,149
Added needs	80,355		80,355
Support services:			
Pupil	7,734		7,734
Instruction staff	3,985		3,985
General administration	16,803		16,803
Business	23,483		23,483
Operation and maintenance	31,348		31,348
Debt service:			
Principal	5,000		5,000
Interest	18,677		18,677
Capital outlay		114,797	114,797
Total expenditures	294,534	114,797	409,331
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,280	(105,730)	(89,450)
NET CHANGE IN FUND BALANCES	16,280	(105,730)	(89,450)
FUND BALANCES, beginning of year	95,039	369,374	464,413
FUND BALANCES, end of year	\$ 111,319	\$ 263,644	\$ 374,963

See notes to financial statements.

**GLENN PUBLIC SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds	\$ (89,450)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(3,446)
Capital outlay	114,416

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	3,352
Accrued interest payable, end of the year	(2,840)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items as follows:

Payments on debt	5,000
Amortization expense	(1,318)
Amortized premium	(250)
	(250)

Change in net assets of governmental activities	\$ 25,464
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**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Glenn Public School (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America (GAAP). In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statements No. 14 and No. 39.

Based upon the application of these criteria, the financial statements of Glenn Public School contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the District nor is the District a component unit of another entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary administrative fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The capital projects fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the capital projects bond activity since inception:

	<u>2005 Bond</u>
Revenue and other financing sources	<u>\$ 404,804</u>
Expenditures	<u>\$ 141,160</u>

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and cash equivalents include amounts in demand deposits.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposit and Investments Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the District intends to hold the investment until maturity.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

1. Cash and cash equivalents include amounts in demand deposits (Concluded).

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	17.4247

3. Receivables

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

4. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Unemployment insurance

The District reimburses the State for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

7. Fund balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The designated fund balances for governmental funds represent the amount that has been identified for a specific purpose by the Board of Education for the purchase of a historical marker.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administrator submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balance - budget and actual - general fund.
2. Public hearings are conducted to obtain taxpayer comments.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance - budget and actual (GAAP basis) - general fund.
4. The administrator is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District has no investment policy that would further limit its investment choices. As of June 30, 2006, the District had no investments.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer. At June 30, 2006 the District had no investments.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$339,003 of the District's bank balance of \$439,003 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no investments at June 30, 2006.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in the capital assets for the fiscal year:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated - land	\$ 8,247	\$	\$	\$ 8,247
Construction in progress		114,416		114,416
Subtotal	<u>8,247</u>	<u>114,416</u>		<u>122,663</u>
Other capital assets:				
Land improvements	46,126			46,126
Building and improvements	28,846			28,846
Equipment and furniture	72,434			72,434
Library books	2,500			2,500
Subtotal	<u>149,906</u>			<u>149,906</u>
Accumulated depreciation:				
Land improvements	38,054	2,307		40,361
Building and improvements	16,476	1,139		17,615
Equipment and furniture	72,434			72,434
Library books	2,500			2,500
	<u>129,464</u>	<u>3,446</u>		<u>132,910</u>
Net other capital assets	<u>20,442</u>	<u>(3,446)</u>		<u>16,996</u>
Net capital assets	<u>\$ 28,689</u>	<u>\$ 110,970</u>	<u>\$</u>	<u>\$ 139,659</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$3,446. Depreciation expense is unallocated as the assets serve multiple functions.

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

Bonds payable at June 30, 2006 is comprised of the following issues:

2005 general obligation bonds due in annual installments of \$10,000 to \$30,000 through May 1, 2024, with interest at 4.00% to 4.65%.	<u><u>\$ 395,000</u></u>
--	--------------------------

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Current requirements for principal and interest expenditures are payable solely from future revenues of the general fund, which consists principally of property taxes collected by the District.

The annual requirements to amortize long-term debt outstanding as of June 30, 2006, including interest of \$187,123 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 10,000	\$ 17,040	\$ 27,040
2008	15,000	16,640	31,640
2009	20,000	16,040	36,040
2010	15,000	15,240	30,240
2011	15,000	14,640	29,640
2012 - 2016	105,000	61,900	166,900
2017 - 2021	125,000	37,313	162,313
2022 - 2024	90,000	8,310	98,310
	<u>395,000</u>	<u>\$ 187,123</u>	<u>\$ 582,123</u>
Less current portion	<u>(10,000)</u>		
	<u><u>\$ 385,000</u></u>		

	June 30, 2005	Additions	Payments	June 30, 2006	Due in one year
Bonds payable	<u><u>\$ 400,000</u></u>	<u><u>\$</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 395,000</u></u>	<u><u>\$ 10,000</u></u>

**GLENN PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit pension public employee retirement plan governed by the State of Michigan. The MPERS provides retirement, survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 was 14.87% through September 2005 and 16.34% for October 1, 2005 through June 30, 2006. The contribution requirements of the plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2006, 2005 and 2004 were \$22,979, \$20,225, and \$13,702, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

NOTE 7 - RISK MANAGEMENT

The District carries commercial insurance for risks of property loss torts, errors and omissions and employee injuries (workers' compensation).

REQUIRED SUPPLEMENTARY INFORMATION

**GLENN PUBLIC SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local sources:				
Property taxes	\$ 297,459	\$ 294,159	\$ 278,221	\$ (15,938)
State sources		9,000	9,000	
Federal sources	1,417	22,727	15,257	(7,470)
Other	100	5,032	8,336	3,304
Total revenues	<u>298,976</u>	<u>330,918</u>	<u>310,814</u>	<u>(20,104)</u>
EXPENDITURES:				
Instruction:				
Basic programs	143,907	132,957	107,149	25,808
Added needs	47,520	81,101	80,355	746
Support services:				
Pupil	11,733	8,474	7,734	740
Instruction staff	3,500	4,500	3,985	515
General administration	19,790	20,021	16,803	3,218
Business	14,359	20,689	23,483	(2,794)
Operation and maintenance	30,043	30,043	31,348	(1,305)
Debt service:				
Principal			5,000	(5,000)
Interest			18,677	(18,677)
Total expenditures	<u>270,852</u>	<u>297,785</u>	<u>294,534</u>	<u>3,251</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>28,124</u>	<u>33,133</u>	<u>16,280</u>	<u>(16,853)</u>
OTHER FINANCING USES:				
Outgoing transfer	<u>(14,920)</u>	<u>(14,920)</u>		<u>14,920</u>
NET CHANGE IN FUND BALANCE	<u>13,204</u>	<u>18,213</u>	<u>16,280</u>	<u>(1,933)</u>
FUND BALANCE, beginning of year	<u>81,476</u>	<u>95,039</u>	<u>95,039</u>	
FUND BALANCE, end of year	<u>\$ 94,680</u>	<u>\$ 113,252</u>	<u>\$ 111,319</u>	<u>\$ (1,933)</u>



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Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Glenn Public School
Glenn, Michigan

August 25, 2006

We have audited the financial statements of the governmental activities, and the major funds of Glenn Public School as of and for the year ended June 30, 2006 which collectively comprise Glenn Public School's basic financial statements, and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glenn Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Glenn Public School
Glenn, Michigan

August 25, 2006

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenn Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Glenn Public Schools in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of the Board of Education, management, U.S. Department of Education, Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mamer, Costeusan & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants



Lamonte T. Lator
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August 25, 2006

To the Board of Education
Glenn School District
Glenn, Michigan

In planning and performing our audit of the financial statements of Glenn School District for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 25, 2006 on the financial statements of Glenn School District.

Repeat Comments:

Investment Policy

Currently, the District does not have a formal investment policy. Government Accounting Standards Board (GASB) Statement #40, *"Deposit and Investment Risk Disclosures"*, effective June 30, 2005, required additional disclosures addressing common risks of deposits and investments. We recommend the District compile an investment policy to determine that all common risk areas are identified and the appropriate level of risk of each area is quantified.

Current Year Comments:

Outstanding Checks

During our cash audit procedures, we noted that the outstanding check list for the operating checking account at June 30, 2006 contained checks dating over one year old. Through discussions with accounting management, it was determined that the status of these “old” outstanding checks had not been investigated or considered by accounting personnel. We recommend that management establish a formal, written policy concerning uncashed checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 6 months old, they should be investigated and reissued or written off.

Substitute Teacher Pay Rate Authorization

Currently, there is no documentation concerning substitute pay rates. We recommend that a policy be adopted to guide pay rates for substitute teachers in order to prevent future confusion of allowable rates.

941 Reconciliation

During the course of our audit we became aware that salary expenses were not being reconciled from payroll reports to the general ledger. We recommend that 941 reconciliations be done quarterly in order to reconcile year end amounts with less effort.

Verification of Numerical Check Sequence

Currently there is no verification by the board of the numerical check sequence. We recommend the beginning and ending check number be included in the board minutes as the board reviews all the check from month to month. This additional documentation will allow the board to not only verify sequence within each check run, but from one month of disbursements to the next.

Bonds

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a (2) of Act 451 of the Public Acts of 1976. The management of the District should contact us with information as to the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

The District has not yet received a certificate of substantial completion.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a “material weakness” and added two new categories of deficiencies “significant deficiency” and “control deficiency”. Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District’s ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

CASH Management – Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the district's current budget procedures are adequate.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

To the Board of Education
Glenn School District
Glenn, Michigan

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August 25, 2006

This report is intended solely for the information and use of Glenn School District management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mama, Costeniser & Ellis, P.C.



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August 25, 2006

To the Board of Education
Glenn Public School
Glenn, Michigan

We have audited the financial statements of Glenn Public School for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Audit Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Glenn Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Glenn Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Glenn Public School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by Glenn Public School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended June 30, 2006

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Glenn Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Glenn Public School, either individually or in the aggregate, indicate matters that could have a significant effect on the Glenn Public School's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Glenn Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Glenn Public School
Glenn, Michigan

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August 25, 2006

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of management of Glenn Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mamey, Costeniser & Ellis, P.C.